

Canadian Northern Economic Development Agency
Quarterly Financial Report
For the quarter ended September 30, 2014

Introduction

This quarterly report has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board. This quarterly report should be read in conjunction with the Main Estimates and Canada's Economic Action Plan 2012 (Budget 2012).

Contributing to the jobs and growth in Canada, the Canadian Northern Economic Development Agency (CanNor) works to develop a diversified, sustainable and dynamic economy across Canada's three territories. It does this by delivering economic development programs, undertaking policy and research, and by collaborating with and aligning the efforts of other federal departments, territorial governments, Aboriginal organizations, and industry. This is particularly the case in resource development through its Northern Projects Management Office (NPMO).

Further details on CanNor's authorities, mandate and program activities may be found in the Report on Plans and Priorities at: <http://www.cannor.gc.ca/eng/1387820400013/1387820480580>, and in the Main Estimates (Part II) <http://www.tbs-sct.gc.ca/ems-sqd/me-bpd/20142015/me-bpdtb-eng.asp>.

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes CanNor's spending authorities granted by Parliament and those used by the Department consistent with the Main Estimates for the 2014-2015 fiscal year. The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

As part of the Parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1 preceding the new fiscal year. For 2014-2015, the Main Estimates were tabled on February 27, 2014.

This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

As part of the departmental performance reporting process, CanNor prepares its annual departmental financial statements on a full accrual basis in accordance with Treasury Board accounting policies, which are based on Canadian generally accepted accounting principles for the public sector. However, the spending authorities voted by Parliament remain on an expenditure basis.

Highlights of fiscal quarter and fiscal year to date (YTD) results

Statement of Authorities

As at September 30, 2014, total authorities available for fiscal year 2014-2015 amounted to \$50.8M, a \$964K reduction from the same quarter last year.

Overall authorities increased by \$19.9M (from \$30.9M in the first quarter to \$50.8M) in the second quarter as a result of the renewal of the Strategic Investments in Northern Economic Development (SINED) program (\$17M in contribution funds and \$2.9M in operating funds) in the Supplementary Estimates A for 2014-15.

The reduction of \$964K is the result of the following items: Additional funding for the Northern Projects Management Office (NPMO) of \$1.9M (although there was funding for 2013-2014 available it was not approved until 2013-2014 Supplementary Estimates C); new funding of \$80K for the Economic Development Initiative (EDI); finally the sunseting of the Community Infrastructure Improvement Fund (CIIF) resulted in a decrease of \$3.2M. Other minor statutory and program adjustments make up the difference.

Statement of Departmental Budgetary Expenditures by Standard Object

Compared to the previous year, total budgetary expenditures recorded in the quarter ending September 30, 2014 decreased by \$2.8M (\$6.7M to \$3.9M) and overall for the six months by \$2.6M (\$9.4M to 6.8M) . As highlighted below, the decrease is almost all due to a lower issuance of transfer payments to date.

Personnel costs in the second quarter of 2014-15 of \$2.3M are just slightly higher than the same quarter of the previous year. Personnel costs on a year to date basis are also slightly higher than last year.

Operating cost excluding salaries reflected an overall decrease in the first six months of \$93K. The reporting objects to highlight are:

- 1) Transportation and communications decreased by overall by \$75K in the first six months, mostly because of lower travel and delayed payments for travel expenses resulting from the implementation of the new financial and travel systems.
- 2) Professional and Special Services costs are \$42K lower on a year to date basis as a result of timing differences with invoicing from other governmental service partners.
- 3) Rentals decreased by \$233K due to timing differences of payments related to the Public Works and Government Services MOU.
- 4) Subsidies and payments increased by \$264K due to the one-time transition payments of \$262K for implementing salary payment in arrears.
- 5) All other reporting objects had only minor differences.

Transfer payments decreased overall by \$2.6M in the first six months. This decrease relates to timing differences for contribution payments and late approvals for contribution agreements due to the change in the financial system.

Risks and Uncertainties

Business development in the North needs to deal with the complexities related to remote communities, sparse population, dependence on natural resource extraction and associated challenges, such as underdeveloped infrastructure and labour market gaps.

Program delivery in the North therefore requires a strong focus on risk management and mitigation.

The Canadian Northern Economic Development Agency's updated Corporate Risk Profile and revised risk assessment is presented in the 2014-15 Report on Plans and Priorities. The revised risk profile is in direct response to the increasingly dynamic and unique environment in which the Agency operates and is reflective of the Agency's immediate reality.

CanNor has identified the following key risk areas in the 2014-2015 Report on Plans and Priorities:

1. *Alignment of CanNor Activities with Priorities and Needs*
 - Organizational alignment of activities, priorities and resources to meet service expectations and organizational priorities
2. *Performance Measurement*
 - Efficient measurement and reporting of program effectiveness.
3. *Operational Environment*
 - Reflective of the challenges in delivering economic development programming and regulatory coordination services in the Arctic.
4. *Relationships with Clients, Partners and Stakeholders*
 - Establishment and maintenance of enriched relationships with key clients, partners, and stakeholders across governmental jurisdictions, private sector and aboriginal communities.
5. *Legal, Statutory and Land Claims*
 - Legislation, regulation, court decisions, major policy initiatives, constitutionally protected comprehensive land claim agreements, as well as First Nations government arrangements.

Further details on these risks and how CanNor plans to manage and mitigate these risks can be found in the Report on Plans and Priorities for the Agency.

CanNor monitors expenditures and carries out business planning to ensure that financial risks are mitigated and that program delivery is optimized. Efforts are underway to increase the pace of project review and disbursements of contribution programs in order to reduce the risk of year-end lapses.

Significant changes in relation to operations, personnel and programs

Budget 2012 Implementation

The Canadian Northern Economic Development Agency has achieved total Budget 2012 savings of \$2.4M last fiscal year by reducing and optimizing office space, implementing more efficient business processes, reducing program funding to respond to a degree of overlap and duplication, and more closely aligning resources to its core mandate.

New President

On July 2, 2014, Janet King started as the new President of the Canadian Northern Economic Development Agency.

Approved by:

Janet King
President
Ottawa, Canada
November 13, 2014

Yves Robineau CPA, CA
Chief Financial Officer

**STATEMENT OF AUTHORITIES
(unaudited)**

(In thousands of dollars)	Fiscal year 2014-2015			Fiscal year 2013-2014		
	Total available for use for the year ending March 31, 2015*	Used during the quarter ended September 30, 2014	Year- to-date used at quarter-end	Total available for use for the year ending March 31, 2014*	Used during the quarter ended September 30, 2013	Year- to-date used at quarter-end
Vote 1 - Net Operating	13,930	2,327	4,868	12,103	2,551	4,930
Vote 5 - Transfer payments	35,642	1,358	1,358	38,664	3,862	3,966
Budgetary statutory authorities	1,255	264	536	1,024	256	512
Total Budgetary authorities	50,827	3,949	6,762	51,791	6,669	9,408
Non-budgetary authorities	0	0	0	0	0	0
Total authorities	50,827	3,949	6,762	51,791	6,669	9,408

* includes only Authorities available for use and granted by Parliament at quarter-end.

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Departmental budgetary expenditures by Standard Object (unaudited)

(In thousands of dollars)	Fiscal year 2014-2015			Fiscal year 2013-2014		
	Planned expenditures for the year ending March 31, 2015	Used during the quarter ended September 30, 2014	Year- to-date used at quarter-end	Planned expenditures for the year ending March 31, 2014	Used during the quarter ended September 30, 2013	Year- to-date used at quarter-end
Expenditures:						
Personnel	8,669	2,295	4,792	6,907	2,231	4,737
Transportation and communications	1,918	113	127	1,900	140	202
Information	100	2	9	100	5	14
Professional and special services	2,566	160	178	2,400	170	220
Rentals	1,290	5	5	1,300	234	238
Repair and maintenance	145	3	16	70	8	8
Utilities, materials and supplies	150	10	11	150	14	18
Acquisition of land, buildings and works	0	0	0	100	0	0
Acquisition of machinery and equipment	260	3	3	100	5	5
Transfer payments	35,642	1,358	1,358	38,664	3,862	3,966
Public Debt charges	0	0	0	0	0	0
Other subsidies and payments	87	0	263	100	0	0
Total budgetary expenditures	50,827	3,949	6,762	51,791	6,669	9,408